JAN 26 2006
OFFICE OF THE CLERK

No. 05-130

IN THE

Supreme Court of the United States

eBAY, INC. and HALF.COM., INC.,

Petitioners,

v.

MERCEXCHANGE, L.L.C.,

Respondent.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF *AMICI CURIAE* OF 52 INTELLECTUAL PROPERTY PROFESSORS IN SUPPORT OF PETITIONERS

MARK A. LEMLEY
Counsel of Record
WILLIAM H. NEUKOM PROFESSOR OF LAW
STANFORD LAW SCHOOL
559 Nathan Abbott Way
Stanford, CA 94305
(650) 723-4605

Counsel for Amici Curiae

199111

CP

COUNSEL PRESS
(800) 274-3321 • (800) 359-6859

TABLE OF CONTENTS

Page

TABLE OF CITED AUTHORITIES ii

INTEREST OF AMICI CURIAE 1

ARGUMENT 1

I. The Federal Circuit Has Abandoned the Role of Equity, in Defiance of the Statutory Language 1

II. Application of Equitable Factors is Important to Avoid Abuse of the Patent System 5

III. Vesting Discretion in District Courts Does Not Amount to a Compulsory License 9

IV. Vesting Discretion in District Courts to Grant or Deny Injunctive Relief Is Consistent With International Treaty Obligations 10

CONCLUSION 12

APPENDIX — LIST OF AMICI 1a

TABLE OF CITED AUTHORITIES

Cases: *Page*

Abend v. MCA, Inc., 863 F.2d 1465 (9th Cir. 1988) 3

Campbell v. Acuff-Rose Music Co., 510 U.S. 569 (1994) 3

City of Harrisonville v. W.S. Dickey Clay Mfg. Co., 289 U.S. 334 (1933) 4

City of Milwaukee v. Activated Sludge, Inc., 69 F.2d 577 (7th Cir. 1934) 2

Continental Paper Bag Co. v. Eastern Paper Bag Co., 210 U.S. 405 (1908) 5

Dun v. Lumbermen's Credit Ass'n, 209 U.S. 20 (1908) 3

Foster v. Am. Mach. & Foundry Co., 492 F.2d 1317 (2d Cir. 1974) 2

Hybritech Inc. v. Abbott Laboratories, 849 F.2d 1446 (Fed. Cir. 1988) 2

MercExchange, LLC v. eBay, Inc., 401 F.3d 1323 (Fed. Cir. 2005) 3

Mueller v. Wolfinger, 68 F. Supp. 485 (D. Ohio 1946) 2

Cited Authorities

	Page
New York Times Co. v. Tasini, 533 U.S. 483 (2001)	3
Odetics, Inc. v. Storage Tech. Corp., 185 F.3d 1259 (Fed. Cir. 1999)	2
Roche Products Inc. v. Bolar Pharmaceuticals Co., 733 F.2d 858 (Fed. Cir. 1984)	2
Vitamin Technologists, Inc. v. Wisc. Alumni Res. Found., 146 F.2d 941 (9th Cir. 1945)	2
Weinberger v. Romero-Barcelo, 456 U.S. 305 (1982)	1
Statutes:	
17 U.S.C. § 502(a)	3
35 U.S.C. § 283	1, 11

Cited Authorities

Page

Other Authorities:

S. Rep. No. 103-412 (1994) 11

Daniel Gervais, The TRIPS Agreement: Drafting History and Analysis 293 (Sweet & Maxwell: London 2d ed. 2003) 10

Robert P. Merges, *Of Property Rules, Coase, and Intellectual Property*, 94 Colum. L. Rev. 2655 (1994) 7

Mark R. Patterson, *Inventions, Industry Standards, and Intellectual Property*, 17 Berkeley Tech. L.J. 1043 (2002) 6

Michael A. Carrier, *Cabining Intellectual Property Through a Property Paradigm*, 54 Duke L.J. 1 (2004) 4

INTEREST OF AMICI CURIAE

Amici are fifty-two scholars at American law and business schools who teach, write about, or have an interest in patent law. Amici have no stake in the outcome of this case,[1] but are interested in ensuring that patent law develops in a way that best promotes innovation. A full list of amici is appended to the signature page. Both petitioner and respondent have filed blanket letters of consent to the filing of amicus briefs.

ARGUMENT

I.

The Federal Circuit Has Abandoned the Role of Equity, in Defiance of the Statutory Language

Section 283 of the Patent Act is quite clear: district courts are granted the discretion to decide whether and under what circumstances to issue patent injunctions. The statute provides that courts "may" grant injunctions once infringement is found, but only "in accordance with principles of equity" and "on such terms as they deem reasonable." 35 U.S.C. § 283. Those principles of equity are well-established in a long line of cases, both from this Court and from the regional circuits. *See, e.g., Weinberger v. Romero-Barcelo*, 456 U.S. 305, 312 (1982) (setting out the four equitable factors to be considered in granting injunctive relief: (i) whether the plaintiff would face irreparable injury if the injunction did not issue; (ii) whether the plaintiff has an adequate remedy at law; (iii) whether granting the

1. No party other than the signatories has authored or paid for any part of this brief.

injunction is in the public interest; and (iv) whether the balance of hardships tips in the plaintiff's favor); *see also Mueller v. Wolfinger*, 68 F. Supp. 485, 488 (D. Ohio 1946) (applying the factors under predecessor to Section 283). Before the creation of the Federal Circuit, regional circuits applied these principles, and occasionally denied permanent injunctive relief to patent owners based on their application of traditional equitable principles. *See, e.g., Foster v. Am. Mach. & Foundry Co.*, 492 F.2d 1317, 1324 (2d Cir. 1974); *Vitamin Technologists, Inc. v. Wisc. Alumni Res. Found.*, 146 F.2d 941, 956 (9th Cir. 1945); *City of Milwaukee v. Activated Sludge, Inc.*, 69 F.2d 577, 593 (7th Cir. 1934).

The Court of Appeals for the Federal Circuit has effectively read the terms "may" and "in accordance with principles of equity" out of the statute. In no case in the last twenty years has the Federal Circuit permitted a district court to apply its equitable powers to refuse a permanent injunction after a finding of infringement.[2] Indeed, the court's grant of permanent injunctive relief is so automatic that it rarely even recites the equitable factors any longer, relying instead on an all-but-conclusive presumption that injunctive relief is appropriate. In this case, for example, the Federal Circuit made it clear that a district court had the power to deny

---

2. The Federal Circuit occasionally affirms a refusal to grant *preliminary* injunctions, *see Hybritech Inc. v. Abbott Laboratories*, 849 F.2d 1446, 1458 (Fed. Cir. 1988), or to enter injunctions when the patentee has failed in some other aspect of proof, *see Odetics, Inc. v. Storage Tech. Corp.*, 185 F.3d 1259, 1273 (Fed. Cir. 1999) (patentee committed laches, and could not enjoin products produced during the period of its laches). But not since the 1984 decision in *Roche Products Inc. v. Bolar Pharmaceuticals Co.*, 733 F.2d 858, 866 (Fed. Cir. 1984), has it refused to enter a permanent injunction because of considerations of equity.

injunctive relief only in exceptional circumstances. *MercExchange, LLC v. eBay, Inc.*, 401 F.3d 1323, 1339 (Fed. Cir. 2005). Further, the only exceptional circumstance the court identified was one involving imminent danger to public health, in which case the court suggested it might be appropriate to consider the public interest in access to the invention.

The contrast with copyright cases is striking. The Copyright Act includes language quite similar to section 283, and which indeed seems more expansive than the patent statute with respect to injunctive relief because it lacks explicit reference to equity. 17 U.S.C. § 502(a) ("Any court . . may . . . grant temporary and final injunctions on such terms as it may deem reasonable"). Nonetheless, this Court has repeatedly noted that section 502(a) and its predecessors do not require the grant of injunctive relief after a finding of infringement. *See Dun v. Lumbermen's Credit Ass'n*, 209 U.S. 20, 24 (1908) ("we think the discretion of the court was wisely exercised in refusing an injunction and remitting the appellants to a court of law to recover such damage as they might there prove . . ."); *New York Times Co. v. Tasini*, 533 U.S. 483, 505 (2001) ("it hardly follows from today's decision [finding infringement] that an injunction . . . must issue"); *Campbell v. Acuff-Rose Music Co.*, 510 U.S. 569, 578 n.10 (1994) ("courts may also wish to bear in mind that the goals of the copyright law . . . are not always best served by automatically granting injunctive relief"). *See also Abend v. MCA, Inc.*, 863 F.2d 1465, 1479 (9th Cir. 1988) (denying injunctive relief after a finding of copyright infringement), *aff'd*, 495 U.S. 207, 236 (1990) (leaving undisturbed the appellate court's remedial analysis).

The Federal Circuit's mandatory-injunction standard also contrasts with the rules of real and personal property. Owners of chattels and real property are generally entitled to enjoin trespasses to their property. Generally, but not always. Courts apply the traditional principles of equity to real and personal property, and consider such factors as adequate remedy at law, the balance of hardships to the parties, and the public interest in deciding whether to grant an injunction. *See City of Harrisonville v. W.S. Dickey Clay Mfg. Co.*, 289 U.S. 334, 338 (1933). Courts regularly award damages rather than injunctive relief against invasion of real property when the circumstances warrant. *See, e.g.*, Michael A. Carrier, *Cabining Intellectual Property Through a Property Paradigm*, 54 Duke L.J. 1, 66-68 (2004) (offering examples such as averting a disaster, fleeing from an animal, reclaiming or removing a chattel, executing a court order, putting out a fire, making an arrest, and exercising free speech rights).

The Federal Circuit's failure to apply a similar standard to patent law, its willingness to consider applying only a single one of the four equitable factors governing injunctive relief, and the fact that in the last twenty years it has never in fact permitted a district court to deny a permanent injunction on equitable grounds all mean that as a practical matter it has denied courts the authority given them by section 283 to grant injunctions "in accordance with principles of equity."[3]

---

3. Amicus American Intellectual Property Law Association claims that the Federal Circuit *does* apply traditional principles of equity, but that once infringement is found the irreparable harm, adequate remedy at law, and public interest factors all weigh irrefutably in favor of the patentee. That is surely wrong as a factual matter – there are at least some cases in which a patentee has a perfectly adequate remedy at law, for example. And if the Federal

(Cont'd)

In so doing it has created a rule in patent law that is inconsistent not only with the statutory language but also with the law of injunctive relief in any other area of law.[4]

II.

Application of Equitable Factors is Important to Avoid Abuse of the Patent System

The Federal Circuit's refusal to permit district courts to apply the language of the statute has potentially serious consequences for the operation of the patent system. The goal of the equity requirement in the injunctive relief sections of the patent law is to ensure that people who actually need injunctive relief to protect their markets or ensure a return on their investment can get it, but that patent owners cannot use the threat of an injunction against a complex product based on one infringing piece to hold up the defendant and

---

(Cont'd)
Circuit refuses to consider the application of most or all of the equitable factors on a case-by-case basis, it is not meaningful to speak of the court as exercising discretion at all.

4. Amici do not believe that the application of traditional principles of equity to patent cases is inconsistent with the holding in *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405 (1908). That case properly held that a patent owner that refused to use or license a patent that would have competed with the products it was selling was entitled to enjoin infringement, and rejected the claim that the district courts lacked jurisdiction to grant an injunction. *Id.* at 429-30. We do not believe the Court's opinion need be read to hold that injunctions were mandatory, and as noted above, the regional circuits have not done so. If this Court does read *Continental Paper Bag* to require mandatory injunctions, however, then we believe the case should be overruled for the reasons discussed below.

extract a greater share of the value of that product than their patent warrants.

Unfortunately, such inappropriate "holdups" occur on a regular basis under the Federal Circuit's mandatory-injunction standard. Patentees can obtain revenue in excess of the value of their technology by threatening to enjoin products that are predominantly noninfringing and in which the defendant has already made significant irreversible investments. In numerous cases, the parties settle for an amount of money that significantly exceeds what the plaintiff could have made in damages and ongoing royalties had they won. In these cases it is not the value of the patent but the costs to the defendant of switching technologies midstream that are driving the price. For example, one patent owner charges a 0.75% royalty for patents that don't cover industry standards, and 3.5% for patents that do cover industry standards. Mark R. Patterson, *Inventions, Industry Standards, and Intellectual Property*, 17 Berkeley Tech. L.J. 1043, 1059 n. 61 (2002). The patent owner can demand nearly five times as much money once the industry has made irreversible investments in a particular technology. Many other patent owners report settling their cases for dollar amounts significantly in excess of what they could have won in royalties. The windfalls to the patentee in these cases stem from the ability to threaten to shut down the defendant's technology altogether.

Holdup is of particular concern when the patent itself covers only a small piece of the product. A microprocessor may include 5,000 different inventions, some made by the manufacturer and some licensed from outside. If a microprocessor maker unknowingly infringes a patent on one of those inventions, the patent owner can threaten to stop

the sale of the entire microprocessor until the defendant can redesign its product and retool its plant to avoid infringement. Small wonder, then, that patentees regularly settle with companies in the information technology industries for far more money than their inventions are actually worth. Defendants are paying holdup money to avoid the threat of injunctive relief. That's not a legitimate part of the value of a patent; it is a windfall to the patent owner that comes at the expense not of unscrupulous copyists but of legitimate companies doing their own research and development.

Traditional principles of equity give courts the tools to deal with this problem. Patent owners who do not manufacture the patented or any other competing good, and who seek only to license their invention at a reasonable royalty, should be entitled to injunctive relief only if they would be irreparably injured by the infringement. If the patentee has an adequate remedy at law, that fact properly weighs against granting injunctive relief. Those equitable principles would also permit courts to consider the balance of the hardships, so that the ordinary grant of injunctive relief can be avoided where it would have significant negative consequences and little affirmative purpose, as in the case of the 5,000-component invention. At a minimum, they would permit courts to delay the entry of injunctions in order to avoid holdup.

We should be clear that the application of equitable principles would not mean that injunctions are generally problematic. Patent law is a property rule, and injunctive relief is the appropriate remedy in ordinary patent cases. *See* Robert P. Merges, *Of Property Rules, Coase, and Intellectual Property*, 94 Colum. L. Rev. 2655 (1994). Injunctive relief is an important part of the patent law, and in most cases there

will be no question as to the patentee's entitlement to such relief. To begin, equity warrants an injunction absent extraordinary circumstances if the patentee practices the patent in competition with the accused infringer. Even if the patentee doesn't sell the patented product, if it sells a different product in the same market, equity should entitle it to an injunction to prevent an infringer from competing with the product it does sell. Similarly, if patentees assign or exclusively license the patent to someone who competes in the marketplace, they should also be entitled to injunctive relief under normal circumstances. And even if the patentee hasn't done these things in the past, if it is actively engaged in research and development and preparing to do so in the future equity might well support injunctive relief. Patentees also ought to be entitled to an injunction in cases where the defendant copies the idea from the patentee, even if the patentee is not participating in the market and has no plans to do so. Infringers shouldn't be able to copy an invention from the patentee, knowing that if they are caught they will still only have to pay a royalty. Even if none of these things are true, some injunctions won't lead to a risk of holdup, and so even patentees who don't meet any of the criteria listed above will often be entitled to an injunction. This is the virtue of equitable discretion – courts can grant injunctions when they are warranted, without being bound to grant them when they create more problems than they solve.

III.

Vesting Discretion in District Courts Does Not Amount to a Compulsory License

Proponents of mandatory injunctive relief deride any effort to consider the harms and benefits of an injunction as a form of compulsory licensing, something United States patent law has generally – though not always – avoided. But a judicial refusal to grant injunctive relief when equity does not support it is not the same as a compulsory license imposed by a legislature. A compulsory license is a blanket rule that permits all others to use a patent upon payment of a specified royalty, giving certainty to those who would infringe the patent that they can do so upon payment of a royalty. Equity, by contrast, considers the harms and benefits of an injunction to the parties and to the public in the context of a particular case with a particular evidentiary record. Because they are fact-specific, case-specific applications of principles of equity may give particular patentees injunctive relief against some defendants but not others, or at some times but not others, or for some markets but not others. They also leave the accused infringer at risk not only of an injunction, but of treble damages for willfulness. As we noted in the previous section, courts should not use their discretion to deny injunctive relief regularly, or even often. They should grant injunctions to patent owners who participate in the market, whether by selling the patented invention, exclusively licensing it to someone else who sells it, or selling a product not covered by the patent but which competes with the infringing product. They should also grant injunctive relief against those who copy the invention from the patentee. Giving courts the same equitable powers in patent cases to consider the appropriate remedy that they have in every other type of case is not the same as a blanket compulsory license.

IV.

Vesting Discretion in District Courts to Grant or Deny Injunctive Relief Is Consistent With International Treaty Obligations

Some will suggest that mandatory injunctions in patent cases are compelled by United States adherence to the General Agreement on Tariffs and Trade (GATT), and in particular the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). They are mistaken. It is true that TRIPs article 44.1 requires nations to grant their courts the *authority* to provide injunctive relief as a remedy for patent infringement. But the Patent Act does provide such a remedy. TRIPs does not require that injunctions always issue. *See, e.g.*, Daniel Gervais, The TRIPS Agreement: Drafting History and Analysis 293, 297 (Sweet & Maxwell: London 2d ed. 2003) ("shall have the authority" requires only "the power to order the measures specified"). Article 44 itself permits nations to avoid granting courts even the authority to order injunctive relief in cases of innocent infringement, TRIPs art. 44.1, and where injunctive relief is "inconsistent with a Member's law," *id.* art. 44.2. Article 30 provides that "Members may provide limited exceptions to the exclusive rights conferred by a patent, provided that such exceptions do not unreasonably conflict with a normal exploitation of the patent and do not unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties." This provision allows precisely the sort of case-by-case consideration of the interests of patent owners and third parties that equitable discretion provides. Coupled with article 44, it makes it clear that TRIPs permits the United States to give its courts the power to deny injunctions in particular cases. Article 31 details the

circumstances in which nations may grant compulsory licenses. As we have seen, compulsory licensing is a more radical step than merely applying equitable rules to injunctive relief. The fact that TRIPS permits these incursions into the patent holder's exclusivity makes it implausible to interpret the Agreement to require mandatory injunctions.

In any event, TRIPs is not self-executing. S. Rep. No. 103-412, at 13 (1994) (GATT agreements "are not self-executing and thus their legal effect in the United States is governed by implementing legislation."). Section 283 was written in 1952, well before the adoption of TRIPs. It would be unreasonable to interpret a 1952 statute in a way contrary to its terms on the theory that it must be read as consistent with a treaty not adopted until four decades later. As a result, even if this Court were to conclude that TRIPs required mandatory injunctions, the proper course of action would not be for the Court to rewrite section 283, but for an aggrieved country to employ the WTO treaty process to challenge that statute. That has not been done.

CONCLUSION

Amici respectfully urge this Court to confirm the applicability of traditional principles of equity to patent law and to vacate and remand the case for consideration of those principles.

Respectfully submitted,

MARK A. LEMLEY
Counsel of Record
WILLIAM H. NEUKOM PROFESSOR OF LAW
STANFORD LAW SCHOOL
559 Nathan Abbott Way
Stanford, CA 94305
(650) 723-4605

Counsel for Amici Curiae

APPENDIX — LIST OF AMICI*

Professor John R. Allison
Spence Centennial Professor, McCombs School of Business
University of Texas at Austin

Professor Margo Bagley
Emory Law School

Robert Barr
Executive Director, Berkeley Center for Law and Technology
University of California at Berkeley

Professor Ann Bartow
University of South Carolina Law School

Professor Dan L. Burk
Oppenheimer, Wolff & Donnelly Professor
University of Minnesota Law School

Professor Daniel R. Cahoy
Smeal College of Business, Penn State University

Professor Irene Calboli
Marquette University Law School

Professor Michael A. Carrier
Rutgers Law School - Camden

* Institutions of all signatories are provided for identification purposes only. The undersigned do not purport to speak for their institutions. Some amici have of counsel or consulting relationships with law firms or corporations. Those institutions too have no involvement in this brief, and the personal views of amici should not be attributed to them.

Appendix

Professor Anupam Chander
King Hall School of Law
University of California at Davis

Professor Margaret Chon
Seattle University School of Law

Professor Christopher Cotropia
C.J. Morrow Research Associate Professor
Tulane Law School

Professor Thomas F. Cotter
Washington & Lee Law School

Professor Stacey L. Dogan
Northeastern University School of Law

Professor Rochelle Dreyfuss
Pauline Newman Professor of Law
NYU School of Law

Professor Harry First
Charles L. Denison Professor
NYU School of Law

Professor Brett M. Frischmann
Loyola University-Chicago School of Law

Professor Shubha Ghosh
SMU-Dedman School of Law

Appendix

Professor James Gibson
University of Richmond School of Law

Professor Eric Goldman
Marquette University Law School

Professor Ellen P. Goodman
Rutgers University School of Law

Professor Timothy Holbrook
Chicago-Kent College of Law

Professor Chris Holman
University of Missouri-Kansas City School of Law

Professor David Hricik
Mercer University School of Law

Professor Dennis S. Karjala
Jack E. Brown Professor
Arizona State University College of Law

Professor Amy L. Landers
McGeorge Law School
University of the Pacific

Professor Mark A. Lemley
William H. Neukom Professor
Stanford Law School

Appendix

Professor Doug Lichtman
University of Chicago Law School

Professor Michael J. Madison
University of Pittsburgh School of Law

Professor Ronald J. Mann
Ben H. & Kitty King Powell Chair
University of Texas School of Law

Professor Stephen McJohn
Suffolk University Law School

Professor Mark McKenna
Saint Louis University School of Law

Professor Peter S. Menell
Boalt Hall School of Law
University of California at Berkeley

Professor Robert P. Merges
Wilson, Sonsini, Goodrich & Rosati Professor
Boalt Hall School of Law
University of California at Berkeley

Professor Michael J. Meurer
Boston University School of Law

Professor Joseph Scott Miller
Northwestern School of Law
Lewis & Clark College

Appendix

Professor Michael S. Mireles
Sturm College of Law, University of Denver

Professor Tyler T. Ochoa
Santa Clara University School of Law

Professor Maureen A. O'Rourke
Dean and Michaels Faculty Research Scholar
Boston University School of Law

Professor Mark R. Patterson
Fordham University School of Law

Professor David G. Post
I. Herman Stern Professor of Law
Beasley School of Law, Temple University

Professor Arti K. Rai
Duke Law School

Professor R. Anthony Reese
Thomas W. Gregory Professor
University of Texas School of Law

Professor Pamela Samuelson
Richard M. Sherman Professor of Law and Information Management
University of California at Berkeley

Professor Kurt M. Saunders
College of Business and Economics
California State University Northridge

Appendix

(Visiting) Professor Wendy Seltzer
Brooklyn Law School

Professor Carl Shapiro
Transamerica Professor, Haas School of Business
University of California at Berkeley

Professor Howard Shelanski
Boalt Hall School of Law
University of California at Berkeley

Professor Christopher Sprigman
University of Virginia School of Law

Professor Katherine J. Strandburg
DePaul University School of Law

Professor Madhavi Sunder
King Hall School of Law
University of California at Davis

Professor John R. Thomas
Georgetown University Law Center

Professor Philip J. Weiser
University of Colorado School of Law